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C O N F I D E N T I A L SECTION 01 OF 02 ATHENS 001779

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SUBJECT: GREEK FM GUARDEDLY OPTIMISTIC ABOUT CYPRUS
AGREEMENT

REF: NICOSIA 1088

Classified By: Ambassador Charles P. Ries for reasons 1.4 b & d.

11. (C) SUMMARY: Following a day of meetings between the GoG and Greek Cypriot President Papadopoulos, Greek FM Bakoyannis told Ambassador she is guardedly optimistic about the agreement signed by Greek Cypriot and Turkish Cypriot leaders on July 8. While the key will be getting the respective negotiators to come to agreement on the parallel substantive and technical issues, Bakoyannis called "clever" Papadopoulos' idea to start with concrete economic issues related to the EU, like whether to adopt the euro. On the EU front, Bakoyannis said her hopes were pinned on the "slim" chance the parallel opening of Famagusta port (with Varosha too) and opening of Turkish ports through implementation of the Customs Union protocol might work. The European Commission, working with the Finnish Presidency, will have the lead. While the FM said Papadopoulos is determined to see progress on the UN dual track talks during July, she noted the Greek PM reiterated his position in public statements that the process be free of "asphyxiating deadlines." Bakoyannis told Ambassador that although she is taking a beating in the Greek press for purportedly "giving away Greek Cypriot sovereignty," she and the GoG would continue to support this process. She asked us to suggest to the Turks that they do their part to help as well. END SUMMARY

12. (U) Ambassador met with Foreign Minister Dora Bakoyannis July 11 for a readout of Cypriot President Papadopoulos' meetings in Athens on July 10 with Greek government officials. Papadopoulos visited Athens to give his Greek "cousins" details of the five-point agreement he signed on July 8 with Turkish Cypriot leader Talat (reftel) presented by UN U/SYG Ibrahim Gambari, and to coordinate strategy. The Cypriot leader met for two hours in a closed-door session with Greek Prime Minister Karamanlis, after which Foreign Minister Bakoyannis, her Cypriot counterpart FM Lillikas, and other GoC and GoG officials joined the discussion. The PM later hosted a dinner for the Cypriot delegation. Papadopoulos separately saw President Papoulias and opposition PASOK leader Papandreou.

13. (C) Bakoyannis noted that the July 8 agreement was a breakthrough, in large part because no one, including UN U/SYG Gambari, believed Papadopoulos would come to the table with Talat. Responding to Ambassador's query on Papadopoulos' motivations, Bakoyannis said he "wants to give it another try," and added that she believes he has "good will" to make progress. Not inexperienced in Cyprus matters, however, Bakoyannis said she was "optimistic; but not very optimistic" about the agreement's eventual chances of success. Bakoyannis said she and the GoG will remain supportive of the negotiation process, and mentioned that we might suggest that the Turks do the same.

14. (C) Bakoyannis reported that Papadopoulos is "satisfied" with the agreement, stressing that for continued movement to take place, the two respective negotiators now have to come to some decisions on both confidence building measures and technical issues. She thought Tassos Tzisionis, rather than FM Lillikas, would be the primary Greek Cypriot negotiator. While she believed that references to "Annan Plan" would be dropped (among other reasons, she said Gambari told her the UNSYG does want his name constantly associated with the failed referendum), she echoed points Talat made publicly (reftel) that "the many" points of the plan on which the two sides have already agreed will be used as a basis for negotiations.

15. (C) Responding to which substantive issues will be raised first, Bakoyannis indicated that Papadopoulos had the "clever" idea to start off with the economy, using concrete issues that have a connection to the EU such as whether to adopt the euro. Per reftel comment, Ambassador probed for details on how strict the July 31 deadline would be for total agreement on the substantive agenda. Without giving a clear answer, she declared that Papadopoulos is "determined" to see movement in July, and she agreed that there must be some movement before the "moment of truth" in October, when the European Commission issues its report on Turkey's progress towards accession. On timelines, she pointed out that PM Karamanlis' statement after his meeting with Papadopoulos called for a "carefully prepared process without arbitration and asphyxiating deadlines."

16. (C) On the EU/trade front, Bakoyannis told Ambassador that she continues to support the idea of finding a way to open Famagusta, believing that this is the "only way out." At the same time, the Turkish Cypriots have to accept that this will

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include a discussion of Varosha. If they will not discuss Varosha, she continued, "the whole thing is a non-starter." Bakoyannis stressed that if Varosha is negotiated in earnest and with good intention, the Famagusta port reopening would be such a "win-win" and "face-saving measure" that it could change the entire situation on the island, allowing Erdogan to reopen the ports, thereby making progress toward meeting EU criteria. Ambassador asked whether Varosha would have to be opened to residents, or for hotel operations. FM Bakoyannis said "that would be an issue for negotiations," and speculated the result could be a staged approach. The European Commission, supported by the Finnish Presidency, she said, would take the lead on the Famagusta/Varosha issue.

17. (C) Bakoyannis was alarmed by recent opinion polls suggesting that only the Greeks and British remain strong proponents of Turkey's EU accession. She wondered aloud whether Turkey was still in favor of its own accession, repeating Erdogan's comment that he would not make compromises on Cyprus for the sake of the EU. She repeated a comment she made to Gul in their recent meeting, that it is not just the goal of EU accession, but also progress on the road to the EU that is important for Turkey's sake. In her opinion, now is the time for Erdogan to show the political courage necessary to make progress on Cyprus and Turkey's EU prospects.

18. (C) Finally, Bakoyannis told Ambassador that "there are limits" to what the GoG can do. She is taking a beating in the Greek press, she lamented, mentioning editorials that accuse the GoG of "giving away" Greek Cypriot sovereignty. As a word of advice, Bakoyannis mentioned that DAS Matt Bryza should "pay attention to semantics" during his upcoming visit to Cyprus.

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